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## Industrial Policy Resolution of 1956

- (IPR 1956) is a resolution adopted by the Indian Parliament in April 1956.
  - It was the first comprehensive statement on industrial development of Indian.
  - The 1956 policy continued to constitute the basic economic policy for a long time.
  - This fact has been confirmed in all the Five Year Plans of India
  - According to this resolution the objective of the social & economic policy in India was the establishment of a socialistic pattern of society.
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- a) Schedule A: Those industries which were to be an exclusive responsibility of the state.
  - b) Schedule B : Those which are to be progressively state-owned & in which the state would generally set up new enterprises, but in which private enterprise would be expected only to supplement the effort of the state &
  - c) Schedule C : All the remaining industries & their future development would, in general be left to the initiative & enterprise of the private sector

The industrial policy of 1956 is known as the economic constitution of the country.

In a short period of operation of the 1948 Industrial Policy, some significant changes took place in the economic & political spheres that called for changes in industrial policy as well. The country had launched a programme of planned economic development with the first Five-year plan.

## **COMPERATIVE ANALYSIS OF INDUSTRIAL POLICY 1948 & INDUSTRIAL POLICY OF 1956**

The second five-year plan gave high priority to industrial development aimed at setting up a number of heavy industries such as Steel Plants, Capital goods industries etc. for which direct government participation & state involvement was needed.

Further in December 1954, the parliament adopted the 'Socialistic Pattern of Society' as the goal of economic policy which called for the state or the public sector to increase its sphere of activity in industrial sector & thus prevent concentration of economic power in private hands. In view of all these developments, a new industrial policy was announced in April 1956. The main features of this Industrial Policy Resolution of 1956 were as follows:

### **Main Features of Industrial Policy Resolution of 1956 :-**

#### **New Classification of Industries :**

The industrial policy of 1956 adopted the classification of industries into Three categories viz., (i) Schedule A industries (ii) Schedule B industries & (iii) Schedule C industries

According to the degree of state ownership & participation in their development.

- (i) Schedule A , which contained 17 industries . All new units in these industries, such where their establishment in the private sector has already been approved, would be set up only by the state.
- (ii) Schedule B , which contained 12 industries such industries would be progressively state owned, but private enterprise is expected to supplement the efforts of the state in these fields.
- (iii) Schedule C, All remaining industries fell in this category; the future development of these industries had been left to the initiative & enterprise of the private sector.

#### **Assistance to Private Sector :**

While the industrial policy of 1956 sought to give a dominant role to public sector, at the same time it assured a fair treatment to the private sector. The 'Policy' said that the state would continue to strengthen & expand financial institutions that extend financial assistance to private industry & cooperative enterprises. The state would also strengthen infrastructure ( Power, transport etc.) to help private sectors.

### **Expanded role of Cottage & Small Scale Industries:**

The industrial policy of 1956 led stress on the role of cottage & small scale industries for generating larger employment opportunities, making use of local manpower & resources & reducing -regional inequalities in industrial development. It stated that the government would continue pursuing a policy of supporting such industries through Tax concessions & subsidies.

### **Balanced Industrial Growth Among Various Regions :-**

The industrial policy, 1956 helped to reduce regional disparities in industrial development. The policy stated that facilities for development will be made available to industrially backward areas. The State, apart from setting up more public sector industries in these backward areas, will provide incentives such as Tax concessions, Subsidized loans etc. , to the private sector to start industries in these backward regions.

### **Role of Foreign Capital :**

The Industrial Policy 1956 recognized the important role of foreign capital in country's development. The foreign capital supplements domestic savings, provides more resources for investment & relieves pressure on Balance of payments.

The country therefore welcomed inflow of foreign capital but the ' Policy' made it clear that inflow of foreign capital will be permitted subject to the condition that major share in management , ownership & control should be in the hands of Indians.

### **Development of Managerial & Technical Cadres:**

The industrial policy , 1956 notes that the programme of rapid industrialization in India will create large demand for managerial & technical personnel. Therefore, the policy emphasized the setting up & strengthening of institutions that Trains & provide such personnel. It was also announced that proper technical & managerial cadres in the public services are also being established.

### **Incentives to Labour:**

The Industrial Policy, 1956 recognized the important role of labour as a partner in the task of development. The ' Policy' therefore put emphasis on the provision of adequate

incentives to workers & improvement in their working & service conditions. It laid down that wherever possible the workers should be progressively associated with that management so that they are enthusiastically involved in the development process.

## **Conclusion :**

The industrial policy 1956 thus provides a comprehensive framework for industrial development in India. However, this policy has been criticized on the grounds that by enormously expanding the field of public sector it had drastically reduced the area of activity for the private sector.

This was expected to adversely effect the industrial growth of India by reducing private initiative & enterprise. The supporters of the 1956 Industrial Policy, however felt that there were no undue restrictions or curbs on the private sector.

Except for 17 industries in schedule A, all other industries remained open for the private sector. Even in the case of Schedule A industries, the state could permit entrepreneurs to set up undertakings if in the interest of development it was thought to be desirable.

The expansion in the sphere of public sector was made with a view to ensuring larger state participation for achieving rapid industrial development & for achieving the ideals of the socialistic pattern of society such as preventing concentration of economic power & protecting common people from capitalist exploitation.

The 'Policy' did not see any clash between public & private enterprises. The public sector, by developing basic & heavy industries, infrastructural services & capital goods industries was to help in creating an environment where private sector could expand & prosper.

The policy thus visualized a more cordial rather than the competition between public & private sectors. It aimed at better co-ordination between the two sectors & to make them work together towards achieving the goal of rapid & harmonious industrial development.

## **Assignment:**

- a) Explain the salient features of Industrial Policy 1956 ?
- b) Examine the comparative analysis of Industrial Policy 1948 & Industrial Policy 1956 ?
- c) Explain the various classification of industries ?
- d) Highlight the features of Industrial Policy according to the various schedules ?

